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January 26, 2007

By Hand Delivery

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
c/o Natek, Inc., Inc.
236 Massachusetts Avenue, N.E. Suite 110
Washington, DC 20002

**Re: Big Bend Telephone Company, Inc.
Study Area Code 442039**

Dear Ms. Dortch:

On behalf of Big Bend Telephone Company, Inc. ("Big Bend"), John Staurulakis, Inc. ("JSI") respectfully submits the attached letter from Ms. Joan Johnson, Chief Financial Officer, Big Bend, to Albert Lewis, Acting Division Chief, Pricing Policy Division including JSI's cover letter to Mr. Lewis. Four copies of the original are also provided. The letters are for the purpose of requesting that the Commission grant Big Bend authority to include in its rate base the interstate portion of the prepaid post-employment health benefits recorded in Account 1410 - Other noncurrent assets.

Please direct any inquiries or requests regarding Big Bend's request to the undersigned.

Sincerely,

Scott Duncan
JSI Staff Director-Regulatory Affairs
301-459-7590
sduncan@jsitel.com

Attachments

cc: Douglas Slotten, FCC Pricing Policy Division (by email).
Joan Johnson, Big Bend

Echelon Building II, Suite 200
9430 Research Blvd.
Austin, Texas 78759
phone: 512-338-0473, fax: 512-346-0822

Fagandale Corporate Center, Suite 310
1380 Corporate Center Curve
Eagan, Minnesota 55121
phone: 651-452-2660, fax: 651-452-1909

6849 Peachtree Dunwoody Road
Building B-3, Suite 200
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547 South Oakview Lane
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January 26, 2007

By Hand Delivery

Mr. Albert Lewis
Acting Division Chief, Pricing Policy Division
Federal Communications Commission
Room A225
445 12th Street SW
Washington, DC 20554

**Re: Big Bend Telephone Company, Inc.
Study Area Code 442039**

Dear Mr. Lewis:

On behalf of Big Bend Telephone Company, Inc. ("Big Bend"), John Staurulakis, Inc. ("JSI") respectfully submits the attached letter from Ms. Joan Johnson, Chief Financial Officer, Big Bend, requesting that the Commission grant Big Bend authority to include in its rate base the interstate portion of the prepaid post-employment health benefits recorded in Account 1410 – Other noncurrent assets.

Please direct any inquiries or requests regarding Big Bend's request to the undersigned.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Scott Duncan'.

Scott Duncan
JSI Staff Director-Regulatory Affairs
301-459-7590
sduncan@jsitel.com

Attachments

cc: Douglas Slotten, FCC Pricing Policy Division
Joan Johnson, Big Bend

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Bountiful, Utah 84010
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Big Bend
Telephone

Joan Johnson
Chief Financial Officer
Joan.Johnson@bbtco.com

January 17, 2006

Mr. Albert Lewis,
Acting Division Chief, Pricing Policy Division
Federal Communications Commission
Room A225
445 12th Street SW
Washington, DC 20554

Re: Big Bend Telephone Company, Inc. – Study Area Code 442039

Dear Mr. Lewis:

By this letter, Big Bend Telephone Company, Inc. ("Big Bend") respectfully requests that the Commission grant Big Bend authority to include in its rate base the interstate portion of the prepaid post-employment health benefits recorded in Account 1410, Other noncurrent assets. Big Bend is a rate-of-return incumbent local exchange carrier ("ILEC") and participates in the National Exchange Carrier Association ("NECA") common line and traffic sensitive pools. Big Bend serves approximately 6,200 lines in rural Texas. As a pool participant, Big Bend is an issuing carrier for the NECA access tariff, NECA Tariff F.C.C. No. 5 and bills rates pursuant to the tariff. Big Bend engages John Staurulakis, Inc. ("JSI"), *inter alia*, to assist in completing its annual cost studies for purposes of reporting to the NECA pools. Big Bend's rate base affects determination of its revenue requirement for each of the NECA pools.

Background

Big Bend's request is similar to that made by Roosevelt County Rural Telephone Cooperative Inc. ("Roosevelt") in a letter to the Wireline Competition Bureau dated October 25, 2004.¹ In its letter, Roosevelt requested Commission approval to include in its rate base the interstate portion of prepaid post-retirement health benefits recorded in Account 1410. On March 14, 2006, the Commission released an order granting Roosevelt's request.²

As a benefit to its employees, Big Bend offers post-retirement health benefits. The Commission and industry generally refer to such benefits as "other post-retirement employee benefits" or "OPEBs." This benefit is funded through a pre-funding trust

¹ See letter from Scott Arnold, General Manager, Roosevelt County Rural Telephone Coop., Inc. dated October 25, 2004.

² *Roosevelt County Rural Telephone Cooperative, Inc. Petition to Include the Interstate Portion of a Prepaid Accumulated Post-Retirement Benefit Obligation, Recorded in Account 1410, in the Rate Base*, WCB/Pricing 05-31, Order, FCC 06-31 (rel. March 14, 2006) ("Roosevelt OPEB Order").

sponsored by the National Telephone Cooperative Association ("NTCA"). As of December 31, 2005, Big Bend's audited financial statements reflect an OPEB-related prepaid balance in Account 1410 of \$476,429, all of which represents prepaid post-retirement health benefits. Following is a summary of the prepaid post-retirement health benefits portion of the combined SFAS 106³ disclosure amount of \$476,429.

Summary of 12/31/2005 Big Bend Accumulated Post-Retirement Benefit Obligation ("APBO") Applicable to Health Benefits

	12/31/2005 Annual Report Balance
Accumulated Postretirement Benefit Obligation (APBO)	\$ 2,923,460
Less: Unamortized Initial Obligation	7,349
Unamortized Actuarial Losses	1,270,909
Net Accumulated Post-Retirement Benefit Obligation (Net APBO)	1,645,203
Plan Assets at Fair Value	2,121,632
Prepaid APBO (Plan Assets less Net APBO)	<u>\$ 476,429</u>

Request

In accordance with section 65.820(c) of the Commission's rules, Big Bend seeks approval to include the interstate portion of the prepaid APBO applicable to health benefits in its rate base. For the 2005 cost study, the addition to the average rate base would be approximately \$517,000 based on beginning and ending 2005 balances. The estimated interstate access portion of \$517,000 for the 2005 cost study year would be \$188,000 (based on the 2005 cost study 36.3% interstate factor for Account 1410). The estimated interstate return on the interstate portion of the prepaid APBO would be \$29,000 at the current 11.25% interstate rate of return. Based on its relatively small size, \$29,000 annually is significant to Big Bend. However, Big Bend believes any impact on overall NECA pool revenue requirements or universal service funding would be *de minimis*.

Section 65.820(c) of the Commission's rules allows inclusion of amounts accounted for in Account 1410, "only to the extent that they have been specifically approved by this

³ Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions.

Commission for inclusion."⁴ In its 1997 *Part 65 OPEB Treatment Order*, the Commission established that where a carrier "can show that any of its assets recorded in Account 1410 (including prepaid OPEB) meet the used-and-useful standard, we will allow that asset to be included in the interstate rate base."⁵ Thus, Big Bend requests that the Commission grant authority pursuant to Section 65.820(c) to Big Bend for inclusion of the prepaid post-retirement health benefits residing in Account 1410, Big Bend provides the following to establish that its prepayments meet the used-and-useful standard.

As communicated to Big Bend by the trustee for its OPEB plans, NTCA, prefunding serves to reduce annual expense for OPEBs. A copy of the trustee's letter is attached. As a rate-of-return carrier, the interstate portion of the reduced expenses will reduce Big Bend's future interstate revenue requirements and, in turn, the rates paid by interstate access customers. In the *Roosevelt OPEB Order* the Commission found that Roosevelt's prepaid post-retirement health benefits met the used-and-useful standard and granted authority to Roosevelt to include in its rate base the interstate portion of the prepaid post-employment health benefits recorded in Account 1410, beginning with the date the prepayments were made. Big Bend's situation with respect to prepaid post-employment health benefits recorded in Account 1410 is reflective of Roosevelt's circumstances. Therefore, Big Bend believes that it has satisfied the used-and-useful standard for inclusion of the interstate portion of prepaid post-retirement health benefits in the rate base.

Based on meeting the used-and-useful standard with respect to its prepayment of post-retirement health benefits, Big Bend respectfully requests that the Commission, as it did in response to Roosevelt's request, grant Big Bend authority to include in its rate base the interstate portion of the prepaid post-employment health benefits recorded in Account 1410, beginning with the date the prepayments were made.

Please direct any requests for information or questions to:

⁴ 47 C.F.R. § 65.820(c).

⁵ *Responsible Accounting Officer Letter 20, Uniform Accounting for Postretirement Benefits Other Than Pensions in Part 32, Amendments to Part 65, Interstate Rate of Return Prescription Procedures and Methodologies, Subpart G, Rate Base*, CC Docket No. 96-22, AAD 92-65, Report and Order, 12 FCC Rcd 2321, FCC 97-56 (Rel. Feb 20, 1997) ("*Part 65 OPEB Treatment Order*") at par. 12.

Federal Communications Commission
Wireline Competition Bureau-Pricing Policy Division
December 22, 2006

John Staurulakis, Inc.
Scott Duncan, Staff Director – Regulatory Affairs, or
John Kuykendall, Director – Regulatory Affairs
7852 Walker Drive, Suite 200
Greenbelt, MD 20770
301-459-7590
sduncan@jsitel.com

Sincerely,

A handwritten signature in cursive script, appearing to read "Joan Johnson".

Joan Johnson
Chief Financial Officer
Big Bend Telephone Cooperative

Attachments

June 6, 2006

Memorandum

TO: Joan Johnson

FROM: Lisa Altman, Sr. FAS 106 Technician

SUBJECT: Big Bend Telephone

On October 26, 2006, we discussed the FAS 106 liability and how that liability is impacted by the FAS 106 Prefunding in which Big Bend Telephone participates. This prefunding does play a partial role in lessening the overall FAS 106 liability of the company. This reduction of the liability manifests itself in several ways:

1. The Expected Rate of Return on Assets (determined by Lake Consulting Inc., the FAS 106 Program) is historically set as to what the return would be over a 30-year period depending on the investment philosophy of the prefunding Trusts. The FAS 106 statement requires that we use the Expected Return on Assets when performing the FAS calculation. This Expected Return on Assets is included in the Net Periodic Postretirement Benefit Cost section of the FAS 106 valuation and in this calculation the expected return reduces the liability which in return reduces the annual expense for that particular year.
2. The Total Assets on deposit as of the first day of the year are also included in the calculation process. The Assets reduce the Accumulated Postretirement Benefit Obligation (APBO) creating the Unfunded APBO figure. This Unfunded APBO has several areas of impact, including interest calculations, the Accrued/Prepaid figure and the Net Loss/Gain Calculations.

3. The prefunding account also has a direct impact on the Financial Statements of the company. As the Assets on deposit accrue earning (either negative or positive), the company would have this asset to offset the liability that would be accruing on the financial statements.

These are a few of the advantages of FAS 106 Prefunding and how they impact the FAS 106 liability being reflected on the financial statements. If you have further questions, do not hesitate to contact me by phone at (828) 255-2972 or by e-mail at lbennie-altman@ntca.org.

LBA